

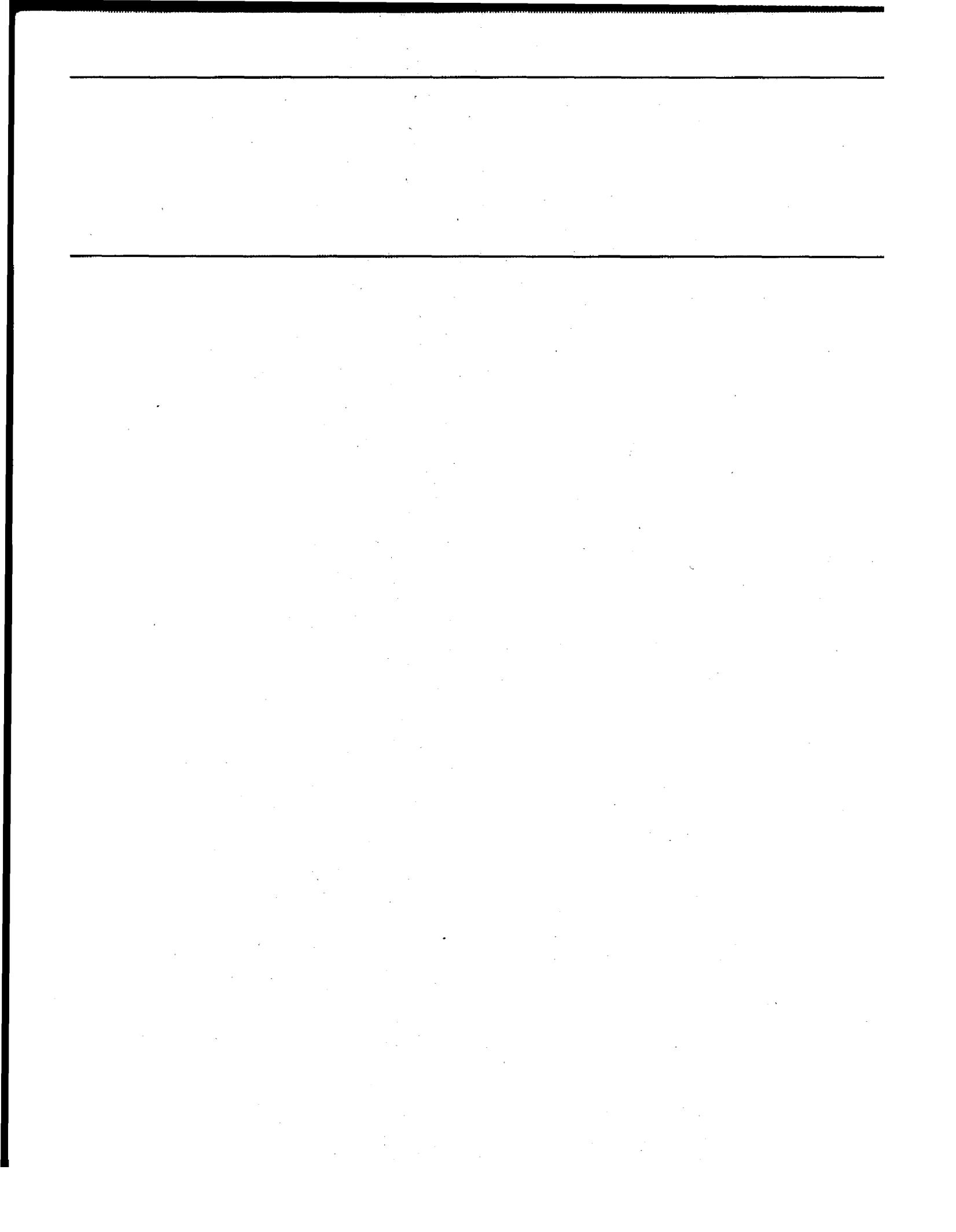
GAO

March 1995

PUBLIC HOUSING

Funding and Other Constraints Limit Housing Authorities' Ability to Comply With One-for-One Rule







**United States
General Accounting Office
Washington, D.C. 20548**

**Resources, Community, and
Economic Development Division**

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March 3, 1995

The Honorable Christopher Shays
Chairman, Subcommittee on Human Resources
and Intergovernmental Relations
Committee on Government Reform and Oversight
House of Representatives

The Honorable Collin C. Peterson
House of Representatives

The overall vacancy rate in public housing is about 8 percent. This average, however, masks the conditions at many large housing authorities where uninhabitable buildings cause the rate to be closer to 22 percent. At some authorities, whole projects are 50 to 100 percent vacant, and hundreds of deteriorated buildings stand idle. If housing authorities tear down or sell off any of these buildings, by law they must replace the housing units on a one-for-one basis with new or other viable housing or provide equivalent rental assistance to the tenants. However, because some authorities believe they lack sufficient funding or appropriate sites in their communities to replace demolished housing, they leave the deteriorated buildings in place. Consequently, the one-for-one law is seen by some as the underlying cause of housing authorities' inability to tear down their nonviable housing.

In 1994, the House Committee on Banking, Finance and Urban Affairs attempted to give housing authorities more flexibility to trim from their inventories buildings that are no longer viable for providing cost-effective and decent low-income housing. The Committee included in its housing reauthorization bill a provision to allow the Secretary of Housing and Urban Development (HUD) to waive the one-for-one replacement law (see app. I for the full text of the waiver). This bill did not pass the 103rd Congress. Because of your concerns about the impact of the one-for-one law on nonviable public housing and whether the proposed waiver would provide housing authorities with the expected flexibility, you asked us to provide information on

- housing authorities with the highest number of vacant units,
- the impact of the one-for-one requirement on housing authorities' ability to deal with their nonviable housing units, and
- housing officials' perceptions of the potential usefulness of the proposed waiver.

To develop information in these areas, we analyzed a national public housing data base maintained by HUD. The data base tracks vacancy rates at the over 13,000 public housing developments in the nearly 3,400 housing authorities across the country. We also visited 4 of the 10 large housing authorities nationwide that are most troubled by high vacancies (see app. II). These four are in New Orleans, Louisiana; Newark, New Jersey; Philadelphia, Pennsylvania; and Atlanta, Georgia.

Results in Brief

HUD's data base shows that 27 housing authorities, located principally in the eastern United States, account for about half of the 100,000 reported vacancies nationwide. HUD classifies most of these 27 as large housing authorities (having more than 1,250 units). Similarly, the data base shows that the highest vacancy rates occur in only a few of the more than 13,000 public housing developments nationwide—200 developments have vacancy rates exceeding 50 percent. However, HUD's data do not distinguish among the vacancies to say whether they are short-term, whether the units are under repair, or whether the units are considered nonviable by the housing authority.

According to officials at the four housing authorities we visited, constraints related to the one-for-one requirement either make it difficult for them to tear down housing that costs more to maintain than replace or, in some cases, prevent them from doing so. These constraints include insufficient federal funding for new housing or other replacement assistance and a lack of suitable sites for replacement housing. Not tearing down nonviable housing leads to excessive operating costs and federal subsidies and the crime and vandalism associated with vacant public housing.

Housing authority officials we interviewed believe that a waiver of the one-for-one requirement would help them to reduce nonviable housing, most of which is vacant. However, they said that the waiver proposed during the last Congress was too restrictive to be useful, and they provide several options that would add flexibility to the waiver. Such flexibility would be important because of the unique combinations of conditions and resources that exist at each housing authority.

Background

According to a 1990 report by the National Housing Law Project entitled Public Housing in Peril, during the 1980s public housing authorities

removed 15,000 housing units, or about 1 percent of the total stock, from their inventories. Even with this 1-percent reduction of presumably the least desirable stock, the overall public housing vacancy rate of 5.8 percent in 1984¹ has climbed to 8 percent today. HUD's regulations in force from 1979 through 1986 required housing authorities to replace on a one-for-one basis any units demolished or sold, subject to the availability of funding and a local need for low-income housing. However, the report concluded that housing authorities sometimes directly violated or evaded this requirement.

To replace and strengthen these regulations and to protect public housing from further depletion, the Congress included in the Housing and Community Development Act of 1987 a one-for-one replacement provision. In addition to a requirement for replacing demolished or sold units on a one-for-one basis, the new statute also provided that tenants cannot be forced to vacate their existing housing before HUD approves the housing replacement plan. Since the Congress enacted the new one-for-one requirement in February 1988, HUD's Inspector General concluded that the requirement, along with site and neighborhood standards for locating low-income housing, could be responsible for the increase in vacancy rates over the last decade.²

After congressional hearings in March 1994 that highlighted housing authorities' difficulties in complying with the one-for-one requirement, the House Committee on Banking, Finance and Urban Affairs proposed amending section 18 of the Housing Act of 1937 to allow the Secretary of HUD to waive the requirement if all of a series of specific conditions existed. For example, so long as other requirements were met, if (1) maintaining and operating the housing is not cost-effective, (2) replacing the housing cannot be funded, and (3) replacing the housing is unnecessary because other affordable housing is available in the immediate area in which the units are located, then the waiver could be granted. This provision, however, along with the entire bill to reauthorize the act, was not enacted during the 103rd Congress.

¹Public Housing Vacancies and the Related Impact of HUD's Proposal to Reduce Operating Subsidies (GAO/RCED-85-93, Mar. 29, 1985).

²Site and neighborhood standards are contained in HUD regulations. The standards require that newly constructed or rehabilitated assisted housing must meet certain criteria for adequacy and suitability. In addition, when a site for this housing is chosen, care must be taken to avoid an undue concentration of persons receiving housing assistance in an area that already contains a high proportion of low-income persons. Furthermore, newly constructed public housing can be built in an area of minority concentration only if (1) sufficient and comparable opportunities exist for minority families to find housing outside the area or (2) the housing is necessary to meet overriding housing needs.

In HUD's fiscal year 1996 budget presented to the Congress on February 6, 1995, the Department proposes to seek authority to permit the demolition of nonviable housing as long as the housing authority agrees to provide replacement housing for the "sitting tenants." This policy would be a distinct change from the current law, which requires replacement of all demolished units whether they were occupied or not.

National Vacancy Profile

Our analysis of national vacancy data shows that a large portion of the vacancies in the nation is concentrated in 27 housing authorities, most of which have more than 1,250 units and are located in major cities. As shown in figure 1, these authorities are located principally in the eastern United States.

Figure 1: Location of 27 Housing Authorities With Over 50 Percent of Total Public Housing Vacancies

Furthermore, some developments within these 27 authorities have vacancy rates that exceed 50 percent, and some developments are 100 percent vacant. Developments with low occupancy often contain buildings that are entirely vacant and therefore subject to vandalism and drug-related criminal activity.

The nation's 3,400 public housing authorities reported to HUD approximately 102,000 vacant units as of April 1994. Overall, about 8 percent of the approximately 1.4 million public housing units are vacant. However, when the vacancies are attributed to specific housing authorities, 27 authorities account for about 52,000 vacancies, or just over 50 percent of all vacancies. As shown in table 1, the five authorities with

the greatest absolute number of vacancies are located in Chicago, Philadelphia, Newark, Cleveland, and Dallas. Vacancy rates in these housing authorities ranged from 16 to 41 percent. (See app. III for a listing of the housing authorities that account for 50 percent of all vacancies.)

Table 1: Public Housing Vacancies as of April 1994

Housing authority	No. of vacant units	Total units	Percent vacant
Chicago, IL ^a	6,136	39,531	16
Philadelphia, PA ^{a,b}	4,807	21,826	22
Newark, NJ ^b	3,812	12,977	29
Cleveland, OH	3,377	12,074	28
Dallas, TX	2,780	6,856	41
District of Columbia ^a	2,596	11,793	22
New Orleans, LA ^{a,b}	2,563	13,417	19
Dade County, FL	2,392	11,397	21
Saint Louis, MO	2,240	6,953	32
Atlanta, GA ^b	2,093	13,571	15

^aThese housing authorities are among those that HUD classifies as troubled.

^bGAO visited these four housing authorities.

Source: HUD's Public Housing Occupancy Data Base.

The housing authorities that account for most of the vacancies are all categorized by HUD as "large" because they operate over 1,250 units. Furthermore, HUD has designated 10 of the 27 authorities as "troubled" because they did not earn an aggregate passing score of 60 or more in accordance with the Department's Public Housing Management Assessment Program. The assessment program measures housing authorities' performance in 12 areas such as vacancy rates, management of grant funds, and time required to prepare a unit for a new renter. Troubled authorities receive more intensive oversight by HUD. Overall, large housing authorities account for approximately 70 percent of all vacancies, and medium-sized housing authorities (managing between 500 and 1,250 units) account for approximately 13 percent of all vacancies. These authorities tend to be concentrated in the eastern part of the nation. In contrast, small housing authorities (managing fewer than 500 units) account for 17 percent of all vacancies and are more evenly distributed across the nation. (See app. IV for the location of housing authorities by size throughout the country.)

Housing authorities, especially large ones, may comprise many individual housing developments. Within the 3,400 authorities are approximately 13,300 developments whose vacancy rates vary more widely than rates do across authorities. Of the 13,000 developments, 200 have vacancy rates of 50 percent or greater and account for approximately 26 percent of all vacancies. Thirty-two developments reported vacancy rates of 100 percent, and many of the over 200 developments with vacancy rates from 50 to 100 percent had hundreds of entire buildings vacant.

To determine the magnitude of the of the problem of vacant buildings, we contacted officials of 41 housing authorities that operate 70 developments with vacancy rates exceeding 70 percent. These officials told us that in 57 of their developments, 1,177 buildings were completely vacant. Of these 1,177 buildings, 149 were either scheduled or awaiting HUD's approval for demolition and thus subject to the one-for-one replacement. The remaining buildings were generally either being rehabilitated or were vacant because funds were not available for rehabilitation.

Resource and Other Constraints Limit Compliance With One-For-One Replacement Requirement

Public housing officials at four of the authorities with the most vacant units said that their ability to demolish their nonviable housing and replace it on a one-for-one basis is limited by insufficient resources and other factors. The officials cited factors such as a lack of funding for new housing units, scarce land that meets the site and neighborhood standards, and resistance from residents. They said, however, that even if the requirement did not exist, one-for-one replacement would be their goal. (See app. II for additional details on the four authorities' experiences in complying with the one-for-one replacement requirement.)

Housing authority officials in New Orleans and Philadelphia said that their ability to demolish and replace deteriorated housing was limited because of a lack of funding to develop new public housing. In New Orleans, housing officials told us that diminishing resources to replace demolished public housing are forcing them to rehabilitate older developments that should be demolished. They said that funding to modernize housing is more available than funding for replacement housing and is allocated under a reasonably predictable formula. This predictability allows the housing authority to budget for major modernization work in a way that it cannot do for replacement housing. However, the HUD Inspector General has reported that continuing to patch up deteriorated housing without achieving long-term viability contributes to the distressed financial condition of the New Orleans housing authority.

Officials at the Philadelphia Housing Authority said that the one-for-one requirement limited their options and contributed to some extent to their inability to demolish housing they considered nonviable. Officials said that at one time they had planned to demolish the 1,300-unit Richard Allen development because it was one of Philadelphia's most troubled. However, they did not submit a demolition/replacement plan to HUD because they believed that federal funding for new housing was scarce and that the tenants were opposed to such a plan because they did not trust the authority to replace the units. In addition, officials said that they did not want to lose their recent \$7 million investment in capital equipment and infrastructure at Richard Allen.

Officials in HUD's headquarters Division of Modernization acknowledge that resource limitations would not allow them to accommodate all potential applications from housing authorities. But they also believe that the perceived lack of funding should not play as large a role as housing authority officials claim. They noted that resource limitations have been successfully dealt with by funding replacement housing over a several-year period. They also said that many authorities with significant vacancies have not applied for the funding that HUD has available to replace housing that has been demolished or sold.

Another constraint cited by housing authority officials is the lack of land for replacement housing. The constraint of limited land that meets site and neighborhood standards is particularly relevant in Newark where the major barrier to replacing housing in compliance with the one-for-one law is the city's demography. For example, according to Newark housing authority officials, Newark has the highest density of public housing units in the country, two-thirds of Newark's land area is already in use by industrial or commercial users, minorities represent 71 percent of the city's population, and over half of the public housing population has very low income—generally considered to be less than 30 percent of the area's median income. This combination of demographic factors means that the chances are very small of finding land for replacement housing that meets the site and neighborhood standards. Newark officials said that continued operation of vacant housing is a huge operating expense.

At the Atlanta Public Housing Authority, officials believed that their housing replacement plans generally complied with the law, but they said that the demolition they proposed and the anticipated difficulty of finding sites for replacement housing made their plans more expensive than other cities' plans. Although Atlanta has sufficient land areas that do not already

have high concentrations of low-income residents and would qualify for public housing, this land often is costly to procure and is located in one area of the city. Moreover, the housing authority would face considerable community opposition to low-income housing in this area.

Housing Officials Suggested Changes to the Waiver to Make It More Useful

Officials at two of the public housing authorities we visited said that the waiver as proposed in 1994 would provide them with little added flexibility. These officials, as well as HUD's Inspector General in a recent report, suggested several changes to the proposed waiver that could make it more useful to housing authorities as they try to deal with their nonviable housing.

Housing officials' suggestions generally reflected their belief that the waiver as proposed would require a housing authority to meet too many criteria at once. One official noted that for the Secretary to grant the waiver, an authority would have had to comply with each provision in the waiver rather than with one provision or a combination of provisions. He believed that complying with each provision may not always be possible and is unnecessary. To do so, an authority would have to demonstrate more circumstances than necessary to justify a waiver, and some of those might not apply at that authority. For example, one provision would require an authority seeking a waiver to have as a goal to increase the number of viable public housing units it manages. However, this official also said that such a goal may not be realistic in a housing market where demand for low-income housing is not growing.

In addition, some housing officials we visited believe that the criteria for receiving the waiver should be independent of each other so that complying with one or more, but not all, would satisfy the waiver. For example, one executive director said that the cost-effectiveness of operating and maintaining existing housing proposed for demolition or disposition should be independent of the availability of financial assistance to replace the housing. He believed that either of these circumstances should qualify an authority to receive a waiver to the replacement requirement.

The acting executive director of the Atlanta Housing Authority suggested, among several comments, that the shortage of suitable land—land meeting site and neighborhood standards—for public housing in many cities could be additional criteria for a waiver. He recommended that such a shortage of land should be made a criterion for waiver independent of whether

sufficient housing replacement funds are available to the housing authority.

The executive director of the Newark Housing Authority suggested that further flexibility could be given to housing authorities by permitting them to

- use other forms of federal low-income housing assistance (such as tenant-based certificates) for all replacements, instead of limiting the use of such assistance to 50 percent of the replacements in plans involving the demolition or disposition of more than 200 units, and
- exempt from the one-for-one requirement high-rise buildings that should no longer be used to house families and are less than 30 percent occupied, provided that the buildings' tenants can be housed in other projects.

In addition, in a September 1993 report, HUD's Inspector General concluded that statutes such as the one-for-one replacement can hamper a housing authority's pursuit of better options for the welfare of the tenants. She recommended that the Secretary seek relief from the one-for-one requirement by proposing changes to the law that would expand the forms of assistance currently allowed by law to meet replacement housing requirements.

Conclusions

Housing authority officials agree with the law's goal of replacing housing on a one-for-one basis. However, they point to a lack of funding to implement the law as the chief factor frustrating their efforts to remove and replace their most deteriorated and useless housing. Even when funding is available, officials in cities such as Newark point to the site and neighborhood standards and attribute the continuing inability to remove and replace their nonviable housing to a lack of suitable land on which to locate replacement housing.

Officials of housing authorities we visited believe that the one-for-one waiver provision included in the 1994 reauthorization of the housing legislation is too restrictive. They and others believe that making some changes in the wording and conditions could provide the added flexibility needed to deal with their most deteriorated and nonviable housing with the resources that are available to them. For example, being required to show either that funding is not available for replacement housing or that maintaining the undesirable housing is not cost-effective, rather than

having to show both conditions, would enable housing authorities to more easily qualify for a waiver.

Matter for Congressional Consideration

To assist housing authorities to make the best use of the resources at their disposal, the Congress should consider giving the Secretary of HUD the flexibility to approve alternative approaches to replacing nonviable housing that has been demolished or sold. In considering reasonable alternatives, the Secretary might take into account resource availability and circumstances unique to a specific housing authority. For example, instead of replacing demolished or sold units using the combinations of replacement units and certificates currently allowed by law, the Secretary might approve a housing replacement plan that makes more liberal use of section 8 tenant-based certificates, if they are available.

Agency Comments

For each of the four housing authorities we visited, we developed a summary of the impact that the proposed one-for-one replacement waiver would have on the authority's nonviable housing (see app. II). We provided drafts of these summaries to the respective housing authorities and incorporated the officials' comments as appropriate. For the most part, housing authority officials' comments clarified information they had already given us. For example, Newark officials gave us a better historical perspective on their attempts to demolish their mostly vacant high-rise buildings. The former acting executive director of the Atlanta Housing Authority clarified his suggestions for how a waiver of the replacement requirement could be reworded to be more useful to his authority.

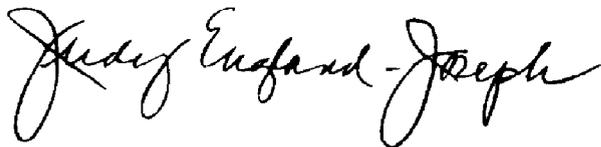
We also provided a complete draft of this report to HUD for review and comment. Although HUD did not provide written agency comments, we discussed the draft with officials of HUD's Office of Construction, Rehabilitation, and Maintenance. These officials generally agreed with the report's contents and conclusions. They suggested several changes to improve clarity, which we incorporated as appropriate. They also asked us to note, and we have, that while housing authorities point to the limited funding for replacement housing, many authorities do not apply for and take advantage of the funding that is available to them from HUD. HUD officials also stated that our matter for congressional consideration was appropriate in that we suggested giving the Secretary of HUD the flexibility to administer the one-for-one requirement on a case-by-case basis.

Scope and Methodology

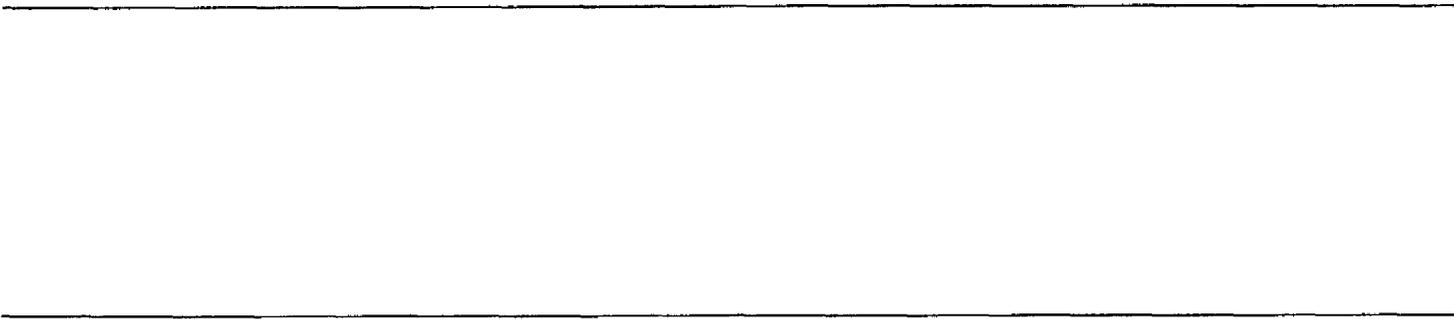
To develop a profile of public housing vacancies nationwide and relate those vacancies to the one-for-one replacement statute, we collected and analyzed data at three levels. First, we obtained a HUD data base containing vacancy data on over 13,000 public housing developments in the nearly 3,400 public housing authorities across the country. Second, from the national data base, we identified over 200 authorities that had developments with vacancy rates exceeding 50 percent. Of those 200, we contacted 41 with developments having vacancy rates in excess of 70 percent to determine the reasons for those vacancies and the extent to which these developments had buildings that were entirely vacant. Finally, to determine the impact of the one-for-one statute on housing authorities with significant vacancies, we visited 4 of the 10 authorities with the highest absolute number of vacancies. These four were in New Orleans, Newark, Philadelphia, and Atlanta. We conducted our review from June 1994 to February 1995 in accordance with generally accepted government auditing standards.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 5 days after the date of this letter. At that time, we will send copies of this report to the appropriate Senate and House committees; the Secretary of HUD; and the Director, Office of Management and Budget. We will make copies available to other interested parties on request.

Please call me at (202) 512-7631 if you or your staff have any questions about this report. Major contributors to this report are listed in appendix V.



Judy A. England-Joseph
Director, Housing and Community
Development Issues



Contents

Letter	1
Appendix I Proposed Waiver to the One-For-One Replacement Requirement	16
Appendix II Impact of the One-For-One Replacement Requirement at Four Large Housing Authorities	19
Appendix III Twenty-Seven Housing Authorities Account for 50 Percent of Total Vacancies (as of April 1994)	24
Appendix IV Locations of Large, Medium, and Small Public Housing Authorities	25

Appendix V		28
Major Contributors to This Report		
Table	Table 1: Public Housing Vacancies as of April 1994	6
Figures	Figure 1: Location of 27 Housing Authorities With Over 50 Percent of Total Public Housing Vacancies	5
	Figure IV.1: Locations of Large Housing Authorities	25
	Figure IV.2: Locations of Medium-Sized Housing Authorities	26
	Figure IV.3: Locations of Small Housing Authorities	27

Abbreviations

GAO General Accounting Office
HUD Department of Housing and Urban Development

Proposed Waiver to the One-For-One Replacement Requirement

UNITED STATES HOUSING ACT OF 1937

TITLE I—GENERAL PROGRAM OF ASSISTED HOUSING

DEMOLITION AND DISPOSITION OF PUBLIC HOUSING

Sec. 18(i) EXCEPTION TO REPLACEMENT RULE.—

(1) REQUIREMENTS FOR WAIVER.—The Secretary shall waive the applicability of the provisions of subsection (b)(3) with respect to any application under this section by a public housing agency for the demolition or disposition of public housing dwelling units if—(A) the Secretary determines, based on information provided by the public housing agency in the application and the request under paragraph (2), that—(i) the requirements under subsection (b)(3) are preventing or interfering with the development or acquisition of new public housing dwelling units by the agency;

(ii) the long-term goal of the agency in requesting the waiver under this subsection is to increase the number of habitable public housing dwelling units of the agency;

(iii) maintaining and operating the dwelling units to be demolished or disposed of is not cost-effective; and

(iv) sufficient financial assistance is not, and will not be, available to the public housing agency to rehabilitate or replace all or some of the units;

(B) the Secretary determines that replacing the dwelling units to be demolished or disposed under the application is unnecessary because other affordable housing is available in the area in which the units are located, and in making such determination the Secretary shall consider the assessment submitted by the public housing agency under paragraph (2)(C); and

(C) the public housing agency requests a waiver under this subsection in accordance with the requirements under paragraph (2).

**Appendix I
Proposed Waiver to the One-For-One
Replacement Requirement**

(2) REQUEST FOR WAIVER.—To be eligible for a waiver under this subsection, a public housing agency shall submit to the Secretary a request for a waiver under this subsection that includes—(A) a comprehensive plan for demolition, disposition, and replacement that describes additional dwelling units to be made available by the public housing agency;

(B) an identification of the dwelling units for which the waiver is requested; and

(C) an assessment of the need of replacing such dwelling units including the unit size, age, general condition, and length of time such units have been vacant, the condition of the neighborhood in which the dwelling units are located, and the availability of dwelling units affordable to low-income families within the jurisdiction in which the dwelling units are located, during the implementation of the replacement plan.

(3) SUBMISSION TO SECRETARY.—A request for a waiver under this subsection may be submitted at any time. The request shall be submitted to the Secretary by certified mail or any other equivalent means that provides notification to the public housing agency making the request of the date of receipt by the Secretary.

(4) NOTICE OF DISPOSITION OF REQUEST.—Except as provided in paragraph (5), the Secretary shall notify a public housing agency requesting a waiver under this section of the approval or disapproval of the request not later than 45 days after receiving the request. If the Secretary does not notify the public housing agency as required under this paragraph or paragraph (5), the request for a waiver shall be considered to have been approved.

(5) REQUEST FOR ADDITIONAL INFORMATION.—If the Secretary determines that more information is needed to make the determinations under paragraph (1) than has been provided by the public housing agency, the Secretary shall notify the agency in writing not later 30 days after receiving the request for the waiver that additional information is necessary. Such notice shall describe specifically the additional information required for the determinations and establish a deadline for the submission of the information by the agency, which shall be determined based on the difficulty of obtaining the information requested. If the agency submits such additional information requested before the deadline established in the notice under this paragraph, the Secretary shall notify the agency requesting the waiver that the request is approved or

**Appendix I
Proposed Waiver to the One-For-One
Replacement Requirement**

disapproved not later than 30 days after the submission of such additional information.

(6) STATEMENT OF REASONS FOR DENYING OR APPROVING REQUEST.—The Secretary shall include, in each notice under paragraph (4) or (5) of the denial or approval of a request for a waiver under this subsection, the specific reasons for denying or approving the request. The denial of any request for a waiver for public housing dwelling units shall not prejudice the consideration of any other subsequent request for such a waiver for any of such dwelling units.

Impact of the One-For-One Replacement Requirement at Four Large Housing Authorities

We visited housing authorities in New Orleans, Newark, Philadelphia, and Atlanta to obtain information on the impact of the one-for-one replacement requirement and to learn how housing authority officials perceived the impact of the requirement on their housing inventory.

One-For-One Replacement in New Orleans

New Orleans housing officials said that they must overcome several obstacles to comply with the one-for-one replacement requirement. These obstacles include inadequate funding for new public housing development, a cumbersome and lengthy process to obtain HUD's approval to demolish nonviable housing, and the lack of local support for such demolition. Nevertheless, although Department of Housing and Urban Development (HUD) and New Orleans housing officials say that the one-for-one requirement prevents them from demolishing deteriorated housing, they do not consider it to be the primary cause of their inability to demolish nonviable housing. They said that more immediate causes include the federal restriction against using housing modernization funds to replace demolished housing, a lack of funding for day-to-day maintenance, and the lack of quality management at the housing authority.

According to the acting executive director of the Housing Authority of New Orleans, to stretch public dollars and expedite the replacement of obsolete public housing, housing authority officials need more flexibility in deciding whether to modernize aging housing or replace it. As a result of diminishing resources to replace demolished public housing, housing authorities are choosing to rehabilitate older developments that should be demolished because funding to modernize them is more available and is allocated under a reasonably predictable formula. This predictability allows the authority to budget for major modernization work in a way that it cannot do for replacement housing.

In New Orleans, the Desire development illustrates the points made by HUD and other officials. New Orleans housing officials would like to tear down many of the Desire units without replacing them but cannot do this legally. Therefore, they have chosen to remodel Desire instead of raze it and construct new buildings. This decision, however, has been questioned by HUD's Inspector General as well as by housing consultants. Over 10 years ago, the Inspector General reported that Desire's grounds and structures were not well maintained; tenants were not provided decent, safe, and sanitary housing; and Desire lacked long-term viability, contributed substantially to the distressed financial condition of the authority, and should be taken out of service. Likewise, a consulting engineering firm

**Appendix II
Impact of the One-For-One Replacement
Requirement at Four Large Housing
Authorities**

said at that time that it seriously doubted whether the authority could maintain Desire economically and suggested it be demolished. In 1990, the authority hired a consultant who inspected 400 units and concluded, once again, that Desire was nonviable. Nonetheless, in 1992 New Orleans requested approval to rehabilitate Desire at a cost of about \$84 million in modernization funds because this funding is more accessible than funding for development of new public housing. Depending on design, this amount of new development funding could be sufficient to raze and rebuild the entire project.

In a 1994 audit of the Housing Authority of New Orleans, HUD's Inspector General questioned the need for a rehabilitation of Desire that approaches \$100 million, or about \$76,000 per unit. The audit report showed that the authority had 1,717 names on its waiting list on February 17, 1994, compared to 2,233 vacant units and 1,678 awaiting (or undergoing) modernization—including 852 vacant units at Desire. The report concluded that on this basis, additional housing capacity does not seem warranted. Moreover, the Inspector General noted that several factors—including Desire's 58 percent vacancy rate, an excessive rehabilitation cost per unit, and little prospect for social or commercial improvements in the immediate area—suggest that rehabilitating Desire would be costly and may not meet a real demand for low-income housing in that area. The Inspector General concluded that statutes such as the one-for-one replacement can hamper a housing authority's pursuit of better options for the welfare of its tenants.

**One-For-One Replacement
in Newark**

Officials in both HUD's Newark field office and the Newark Housing Authority agree that the one-for-one replacement requirement has caused public housing stock to remain in place that would have been demolished, but they also agree that the occupancy rate of that stock has remained low. The housing authority believes that it cannot replace demolished housing on a one-for-one basis because it can neither obtain adequate funding nor comply with the site and neighborhood standards.

According to Newark public housing officials, enactment of the one-for-one replacement requirement in 1988 caused the authority to change its plans to demolish nearly 3,600 high-rise family units in four mostly vacant projects. The authority had planned to place the residents of the projects in a mix of low-rise apartments and townhouses. However, the authority could not obtain enough affordable land or funding needed to replace all the units—both occupied and vacant. Consequently, the

**Appendix II
Impact of the One-For-One Replacement
Requirement at Four Large Housing
Authorities**

authority modified its plan to demolish 11 buildings, instead of the 21 buildings in its original plan, leaving 10 buildings containing 1,458 units still in place. Most of these units are in buildings that are still completely vacant and sealed, although the authority receives federal operating subsidies for those units. In 1994, the authority estimated the cost to rehabilitate these units to meet HUD's standards could be as high as \$38,000 per unit.

Newark officials said that the continued operation of the mostly vacant high-rise projects slated for demolition is a huge operating expense. On March 22, 1994, the executive director testified before the Congress that the current annual operating cost for the two family high-rise projects with the highest vacancy rates—both have vacancy rates exceeding 80 percent—is \$12.4 million, or over \$2,700 per occupied unit per month. The average monthly operating cost is \$500 per unit for the rest of the authority's inventory.

As the authority tries to replace demolished housing with new low-income housing, the major barrier is the city's demography. For example, according to the executive director, Newark has the highest density of public housing units in the country, two-thirds of Newark's land area is used for nonhousing purposes, minorities represent over 70 percent of the city's population, and over half of the public housing population is at the low-income level. For these reasons, establishing replacement housing in Newark that complies with the site and neighborhood standards is difficult. Housing authority management welcomes the legislative proposal to modify the one-for-one replacement requirement, especially if replacement can be waived on the condition that reasonable compliance with the site and neighborhood standards is not possible.

**One-For-One Replacement
in Philadelphia**

Officials of both HUD's field office in Philadelphia and the Philadelphia Housing Authority generally believe that the one-for-one replacement requirement limited the authority's options in some cases and contributed to its inability to demolish its nonviable housing. For example, the authority has wanted to resolve the long-term vacancy problems it has with some of its 7,000 units of scattered-site housing. Scattered sites are independent units of public housing located throughout the city that are not connected to or part of a larger development. Many of these residences are over 100 years old. However, housing officials note that several obstacles prevent them from replacing this housing as required by the one-for-one statute, including insufficient funding for replacement

housing, a lack of land on which to build new housing, and difficulties that the authority would face in meeting the site and neighborhood standards even if new development funding were available. Moreover, the authority found that the deteriorated conditions of many scattered-site residences would make rehabilitating them more costly than building new housing on those sites.

The one-for-one requirement also affected but was not an overriding factor in Philadelphia's plans to demolish 129 units in one of its most problematic projects, the Richard Allen public housing project. Under the one-for-one requirement, project restoration could not begin until HUD approved the demolition and replacement plan, a process that took HUD and the housing authority three submissions and about 3 years to accomplish. Housing authority officials stated that they did not submit a demolition plan for several reasons. First, they believed that federal funding for new housing development was scarce. They also perceived that tenants opposed such a plan because they did not trust the authority to replace the demolished units. Finally, authority officials said that they did not want to lose their recent expenditure of about \$7 million to repair the boiler, replace the electrical system, build new roofs, and improve the development's sewers.

One-For-One Replacement in Atlanta

Officials of HUD's Atlanta Office and the Atlanta Housing Authority agreed that the one-for-one requirement, together with the site and neighborhood standards, increases the cost of public housing. Costs increase because land for replacement units that is not already impacted with a high concentration of low-income families is more expensive than the land where the housing developments currently stand. More expensive land creates an even greater need for new development funding or section 8 certificates, neither of which, officials believe, have been sufficient in recent years. However, HUD and housing authority officials disagreed on whether the requirement affected the authority's ability to resolve long-term vacancy problems.

According to the authority's acting director of planning, development, and nonprofits, many of Atlanta's vacant buildings are in areas where a high concentration of low-income people already live. Therefore, site and neighborhood standards prohibit housing authorities from adding low-income housing in these areas, whether it is newly constructed or rehabilitated. Although Atlanta does have sufficient suitable areas on which to locate public housing, the land in these areas of the city is more expensive, and the housing authority often faces community opposition to

**Appendix II
Impact of the One-For-One Replacement
Requirement at Four Large Housing
Authorities**

building public housing in these neighborhoods. The authority must negotiate with the community leaders to obtain approval to build the new public housing, and these negotiations can be a very lengthy process. In addition, to comply with the one-for-one replacement rule and the site and neighborhood standards, the authority must seek new construction funding that often is not available. These issues complicate and lengthen the process of reducing vacancies through demolition of nonviable vacant units.

Two officials in HUD's Georgia Field Office, the chief of special programs and a housing management specialist, agreed that land in nonimpacted sectors of the city is more expensive to purchase and that construction funds for replacement housing have been difficult to obtain. These officials also said that community resistance to new public housing would be likely. However, they did not agree that meeting the one-for-one requirement and site and neighborhood standards would necessarily impede the authority's ability to demolish or dispose of chronically vacant housing. Instead, they believe that managerial problems at the housing authority are more responsible for the lengthy demolition and replacement process. HUD officials said that the housing authority has had difficulty developing adequate replacement plans. The plans often are incomplete and do not provide enough information on how and where the authority plans to replace the units. For example, our review of Atlanta's disposition application (still unapproved by HUD) for the Gilbert Annex public housing project found scant information on the housing replacement plan. Instead of information describing the suitability of various sites for building public housing or schedules showing when disposition and replacement will occur, we found two sentences listing the neighborhoods, according to census data, that would meet the site and neighborhood standards. Consequently, HUD officials will closely review Atlanta's demolition/disposition applications and will not approve them until the authority can develop a more comprehensive housing replacement plan.

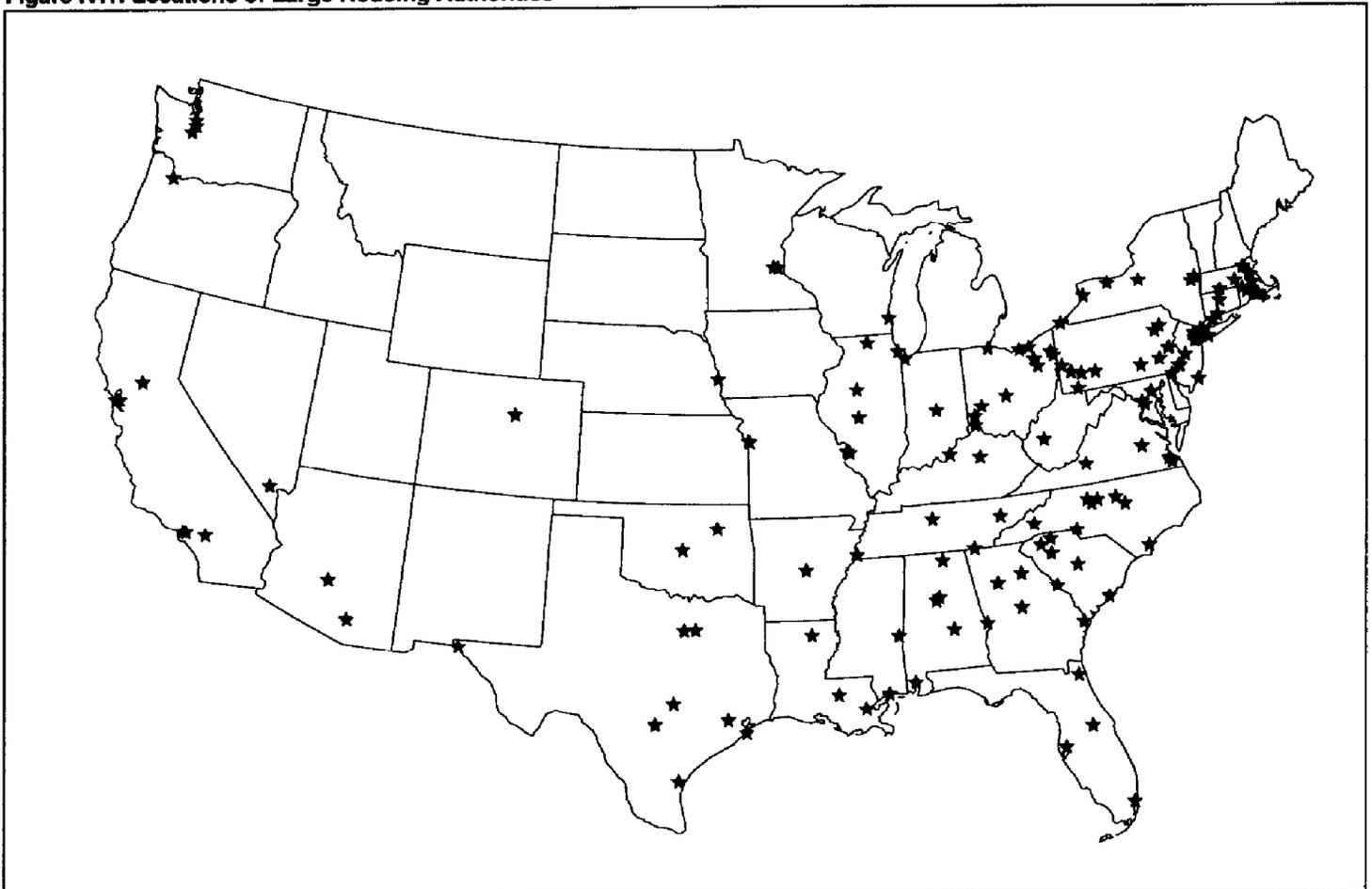
Twenty-Seven Housing Authorities Account for 50 Percent of Total Vacancies (as of April 1994)

Housing authority	Total vacant units	Total units available	Vacancies as a percent of total
Chicago	6,136	39,531	16
Philadelphia	4,807	21,826	22
Newark	3,812	12,977	29
Cuyahoga, OH (Cleveland)	3,377	12,074	28
Dallas	2,780	6,856	41
District of Columbia	2,596	11,793	22
New Orleans	2,563	13,417	19
Dade Co. FL	2,392	11,397	21
Saint Louis	2,240	6,953	32
Atlanta	2,093	13,571	15
Baltimore	1,946	18,063	11
Boston	1,731	12,302	14
Pittsburgh	1,729	9,453	18
Buffalo	1,424	4,976	29
Puerto Rico	1,409	57,449	2
Houston	1,357	4,023	34
Cincinnati	986	8,084	12
New York City	941	155,629	1
Memphis	917	7,012	13
Virgin Islands	910	4,481	20
East St. Louis	891	2,874	31
Allegheny Co.	844	4,052	21
Jacksonville	833	3,033	27
Louisville	802	5,936	14
Dayton	750	4,503	17
Kansas City	734	1,836	40
Minneapolis	710	6,705	11

Locations of Large, Medium, and Small Public Housing Authorities

Figures IV.1, IV.2, and IV.3 below show the locations of large, medium, and small public housing authorities across the United States.

Figure IV.1: Locations of Large Housing Authorities



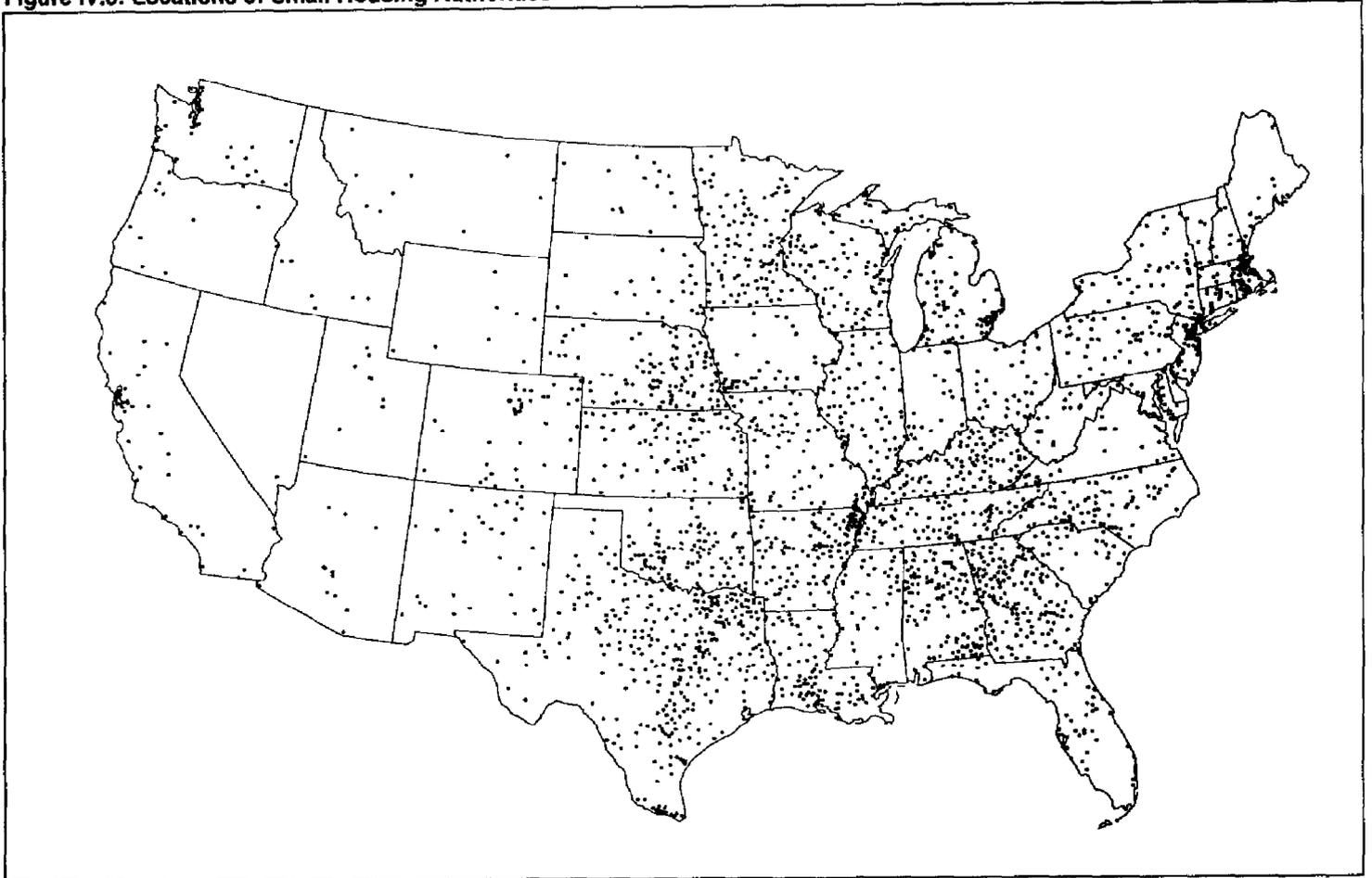
**Appendix IV
Locations of Large, Medium, and Small
Public Housing Authorities**

Figure IV.2: Locations of Medium-Sized Housing Authorities



**Appendix IV
Locations of Large, Medium, and Small
Public Housing Authorities**

Figure IV.3: Locations of Small Housing Authorities



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